

SENATE BILL 1742

By Massey

AN ACT to amend Tennessee Code Annotated, Title 7, Chapter 34, Part 1; Title 7, Chapter 82, Part 3; Title 7, Chapter 82, Part 4; Title 7, Chapter 82, Part 7; Title 9, Chapter 21, Part 3 and Title 68, Chapter 221, Part 10, relative to utility systems.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 7-34-115(a), is amended by deleting the following language from the subsection:

Nothing in this section shall preclude a municipality from subsidizing, in accordance with the adopted budget of the municipality, a public works system with tax revenues.

SECTION 2. Tennessee Code Annotated, Section 7-34-115(a), is further amended by deleting the following language from the subsection:

Nothing in this section shall preclude a municipal utility system from operating a public works system as a special revenue fund when the governing body of the municipality determines that it is in the best interest of the customers of the public works system and the citizens of the municipality.

SECTION 3. Tennessee Code Annotated, Section 7-34-115(g), is amended by deleting the subsection in its entirety and by substituting instead the following:

(g) Nothing in this section shall preclude a local government from being entitled to receive from a utility the amount of direct and properly allocated and disclosed indirect operating expenses incurred by the municipality on behalf of the utility.

SECTION 4. Tennessee Code Annotated, Section 7-34-115(i)(3), is amended by deleting the language “this subdivision (i)(1)” and by substituting instead the language “this subsection (i)”.

SECTION 5. Tennessee Code Annotated, Section 7-82-307(c), is amended by deleting the language “annual financial statements and operations” and by substituting instead the language “audited annual financial report and operations”.

SECTION 6. Tennessee Code Annotated, Section 7-82-308(a)(1), is amended by deleting the language “financially distressed utility districts as defined in § 7-82-703” and by substituting instead the language “financially distressed utility districts as defined in § 7-82-401(g)”.

SECTION 7. Tennessee Code Annotated, Section 7-82-401(g), is amended by deleting the subsection in its entirety and by substituting instead the following:

(g)

(1) Any utility district that is a financially distressed utility district shall be subject to the supervision and evaluation of the utility management review board created pursuant to part 7 of this chapter.

(2) A government joint venture that supplies or treats water or wastewater for wholesale use only to other governments shall not fall under the jurisdiction of the utility management review board for the purpose of reporting negative change in net position annually, but shall be referred to the board if the government joint venture is in a deficit or default position as described in subdivision (g)(3).

(3) For the purposes of this chapter, a “financially distressed utility district” is a utility district, its system or systems, that, as shown by the audited annual financial reports, has either deficit total net position, is in default on an indebtedness, or has a negative change in net position for two (2) consecutive years.

SECTION 8. Tennessee Code Annotated, Section 7-82-401, is amended by deleting the language “annual audit” wherever it appears and by substituting instead the language “audited

annual financial report” and is further amended by deleting the language “audit report” and by substituting instead the language “audited annual financial report”.

SECTION 9. Tennessee Code Annotated, Section 7-82-703(a), is amended by deleting the subsection in its entirety and by substituting instead the following:

(a) The comptroller of the treasury shall cause to be filed with the board a copy of the audited annual financial report of a financially distressed utility district prepared pursuant to § 7-82-401.

SECTION 10. Tennessee Code Annotated, Section 7-82-703(b), is amended by deleting the subsection in its entirety and by substituting instead the following:

(b) After reviewing the audited annual financial report and operations of the financially distressed utility district, and after holding a public hearing within the service area of such utility district, the board may prescribe a rate structure to be adopted by the financially distressed utility district to cause such utility district to eliminate negative changes in net position, to liquidate in an orderly fashion any deficit total net position or to cure a default on any indebtedness of the district, or any combination of these.

SECTION 11. Tennessee Code Annotated, Section 9-21-308(e), is amended by deleting the following language from the subsection:

Nothing herein shall preclude a municipality from subsidizing a public works system with tax revenues.

SECTION 12. Tennessee Code Annotated, Section 9-21-308(e), is further amended by deleting the following language from the subsection:

Nothing herein shall preclude a municipal utility system from operating a public works system as a special revenue fund when the governing body of the municipality determines that it is in the best interest of the customers of the public works system and the citizens of the municipality.

SECTION 13. Tennessee Code Annotated, Section 68-221-1010, is amended by deleting the language “audit report” wherever it appears and by substituting instead the language “audited annual financial report”.

SECTION 14. Tennessee Code Annotated, Section 68-221-1010(a), is amended by deleting the language “net assets” wherever it appears and by substituting instead the language “net position”.

SECTION 15. Tennessee Code Annotated, Section 68-221-1010(b)(2)(B), is amended by deleting the language “total net assets” and by substituting instead the language “in total net position”.

SECTION 16. Tennessee Code Annotated, Section 68-221-1012(b), is amended by deleting the language “annual audit” and by substituting instead the language “audited annual financial report”.

SECTION 17. Tennessee Code Annotated, Section 68-221-1012(a), is amended by deleting the language “annual audited financial statements” and by substituting instead the language “audited annual financial reports”.

SECTION 18. This act shall take effect upon becoming a law, the public welfare requiring it.